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***FEBRUARY 1, 2005 PREFACE***  
**TO DEMYSTIFYING THE DMB PROCUREMENT PROCESS**

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Two Executive Directives currently restrict the acquisition of personal services and commodities. Executive Directive 2004-8: Restrictions on Purchase of Non-Essential Supplies, Materials, Equipment, Printing, or Other Products and Executive Directive 2004-9: Restrictions on Creation of New Positions, Hiring of Employees and Acquisition of Contractual Services may be found at [http://www.michigan.gov/gov/0,1607,7-168-21975\\_22515---,00.html](http://www.michigan.gov/gov/0,1607,7-168-21975_22515---,00.html)

Requestors of goods or services are advised to plan additional time in the request process to allow for the processing and review necessitated by these directives. Acquisition Services Letter No. 119 details the timeframes and it can be found at: [http://connect.michigan.gov/portal/site/dmb/index.jsp?epi-content=GENERIC&browse\\_folder=&mountpoint\\_id=9272fa2b82149ac0a412e80512b890a0&beanID=1689824408&viewID=user\\_browse](http://connect.michigan.gov/portal/site/dmb/index.jsp?epi-content=GENERIC&browse_folder=&mountpoint_id=9272fa2b82149ac0a412e80512b890a0&beanID=1689824408&viewID=user_browse)

Keep in mind that all purchasing, regardless of the dollar limit, must be for essential purposes only.

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# ***DEMYSTIFYING THE DMB PROCUREMENT PROCESS***

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Prepared by

**DEPARTMENT OF MANAGEMENT AND BUDGET  
ORGANIZATION SERVICES  
FINANCIAL SERVICES**

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## DEMYSTIFYING THE DMB PROCUREMENT PROCESS

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# DEMYSTIFYING THE DMB PROCUREMENT PROCESS

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## ***INTRODUCTION***

If you're looking at this booklet, the odds are high that you're in a position requiring you to obtain goods or services on behalf of your work unit. It can be a complex process. In order to do it correctly, you may need some help. This information will steer you in the right direction and identify the tools you may need.

You will hear the words "procurement" and "purchasing" used interchangeably and, for most intents and purposes, they can be. Procurement is the process of acquiring or obtaining goods and services. It's a simple definition but one that is surrounded by a great deal of detail. The term "purchasing" adds the element of acquiring something for payment. As used in this document, "agency" generally refers to your office or program.

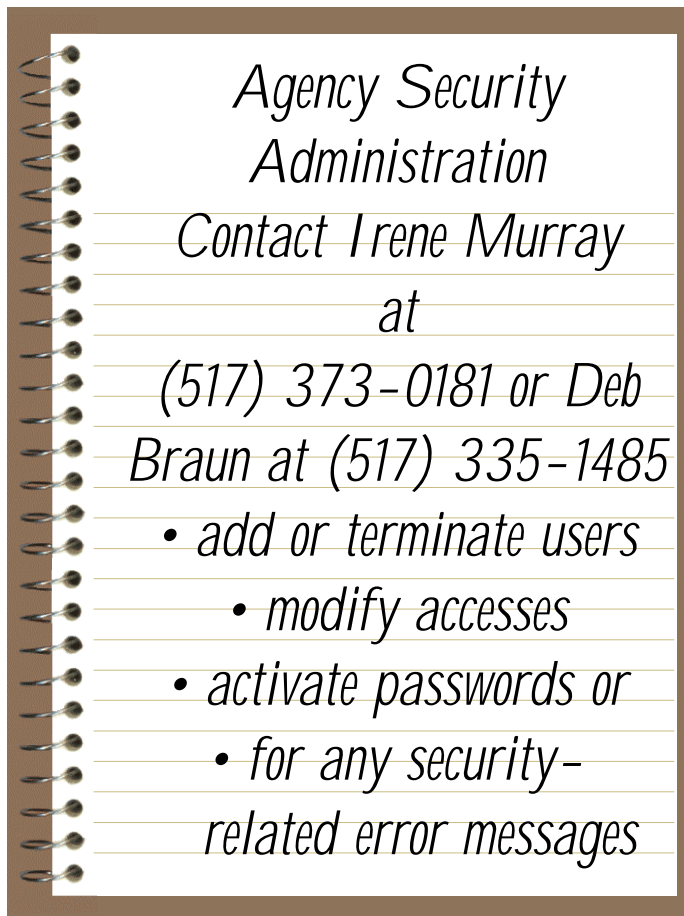
This document is intended to help you understand the process. The process is complicated and can be very cumbersome. However, properly addressing your part of it will minimize any efforts needed later to correct or obtain additional information. Understanding the time frames associated with the process allows you to plan your needs better.

You have a responsibility to properly follow the process. Payment of services or supplies may be delayed or not authorized if the proper procedures are not followed. You could be held liable for payment of invoices received for purchases that were not authorized. By doing your job properly, you avoid this risk.

This document is not going to explain how to use the computer information system, although occasionally it may give some specific helpful hints. It aims to help you understand the process and your role in it. It will provide some insight into the role of Acquisition Services and how your function as a user interacts with their activity through ADPICS (Advanced Purchasing and Inventory Control System).

The intricacies of the procurement process are intimately tied to the operation of MAIN (Michigan Administrative Information Network). ADPICS is a subsystem of the Financial Administration and Control System (FACS) component of MAIN. ADPICS is an important adjunct tool in the procurement process. Training is available through MAIN, and you are encouraged to take advantage of it. A list of useful ADPICS screens is provided in Appendix A.

MAIN's web site can be found at <http://mainweb.state.mi.us>. Forms, manuals, reports, the training schedule, and training registration instructions are located at that website.



Various levels of security to protect the integrity of the information system are in place. The security access you are granted depends upon your needs.

DMB/DIT-wide security administration is performed by Financial Services – Operations for the following systems:

- MAIN FACS – ADPICS and R\*STARS
- MIPC and MIPC Development
- DCDS
- MIDB
- Secure ID Cards
- Main Access Panel (MAP)

Normally, it takes three to five days to be granted a new system access. All users are encouraged to plan ahead and request security access in advance to allow for this processing time.

## **THE OCCASIONAL USER**

It can be difficult to become truly proficient in a detailed practice if you do not use it on a regular basis. Procurement fits into this category. However, some actions on your part can make the job a little easier.

If you use the system infrequently, it may be useful to keep print screens of the actions you've taken for future reference. Keep notes and lists of how to do certain tasks.

You can copy documents in ADPICS that were created in the past and update them. Use <F4> Copy Function at the bottom of the ADPICS screen to copy the entire document. Make any changes including the effective date, delivery date, and appropriation year should be changed before saving.

To keep informed on newly issued statewide contracts and contract change notices subscribe to the LISTSERVs published by Acquisition Services and by MAIN to receive e-mail updates. For these services, contact MAIN's Help Desk at (517) 373-6222.

Regularly visit the web sites of MAIN at <http://mainweb.state.mi.us> and Acquisition Services which is part of <http://www.michigan.gov/doingbusiness> to obtain an overview of their operations and to find current and updated information.

When in doubt, contact Denise Ballard at (517) 373-7567, Mary Brocklebank at (517) 335-1562, or Natalie Spaniolo at (517) 373-3696 for assistance. As the procurement office, they can provide you with directions on how to create your requisition and answer questions about the correct codes to use.

## ***THE PROCUREMENT PROCESS THROUGH ADPICS***

A concise summary of the entire procurement process can be found by looking at the ADPICS subsystems which underlie each step, specifically

- Requisition processing
- Bid processing
- Purchase orders/contracts
- Receiving
- Payable processing

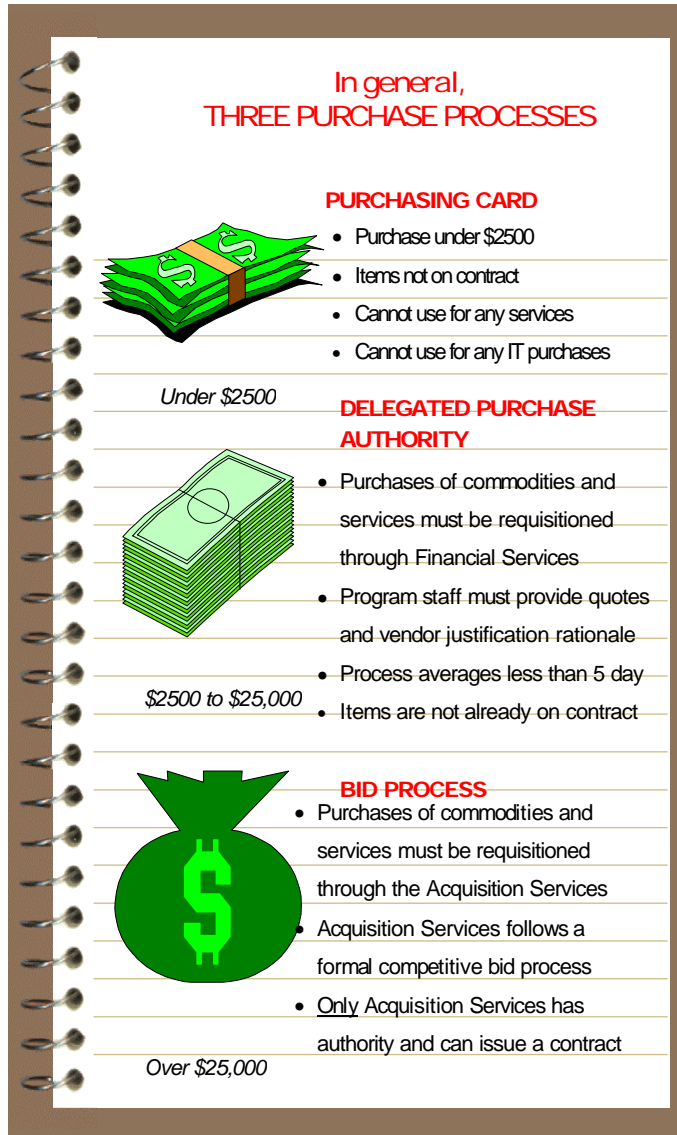
This list should be prefaced some important groundwork. The groundwork could include:

- Estimate the cost based on past experience
- For large purchases, you might call a buyer in Acquisition Services to discuss what you need and obtain some guidance.
- Monitor your budget to make sure you have sufficient funds to cover the cost.
- Document specifications.

In the procurement process, the first step is to create a requisition in ADPICS. This critical piece requires complete data to be supplied. Requisition processing provides an efficient and effective method for requesting goods and services.

If a purchase is over \$25,000 (and not a release from a contract), then the requisition will route through Acquisition Services. A purchase order will be created from your requisition. After you have received the goods, you create a receiver in ADPICS to allow for payment to the vendor.

ADPICS is the purchasing system and ties into R\*STARS which is the accounting system. To learn how to identify errors when the two systems conflict, please see Appendix B, ADPICS and R\*STARS.



## **METHODS OF PURCHASE**

Basically, you will make small purchases for commodities under \$2,500 using a purchasing card, which is a MasterCard credit card.

For purchases from \$2,500 to \$25,000, Acquisition Services has delegated the approval for these purchases to the departments. Financial Services is responsible for this activity. The program area plays a significant role in the process. In most cases, a written quote for the good or service must be obtained and submitted to Financial Services. The quote must be dated and signed by the vendor.

Larger purchases above \$25,000 require the submission of a requisition to Acquisition Services that will contract for the good or service through a formal bid process. The formal bid process is detailed later in this document. Bid documents are prepared, vendors are contacted, bids are reviewed against criteria, and contracts are awarded.

A brief discussion of contract meanings is in order since they are referenced in

the methods used in purchasing. Acquisition Services establishes a purchase order (PO) or a blanket purchase order (BPO) when it awards a contract.

A PO usually only affects one department, is often for a specific project, and funds are immediately encumbered as a liability to be paid.

A BPO often affects multiple departments and may be for many services or products. It is a broad authorization to contract. A requisition to access and release the funds must be made. Agencies access the contract via a contract requisition, which then causes the funds to be encumbered. For instance, the Haworth chair contract is set up for a



large total but we only have an encumbrance and an order once a requisition is entered, approved, and a purchase order is sent to the vendor.

To determine if a commodity or service is already available on a state contract, go to MAIN's web site at <http://mainweb.state.mi.us/technology/midb/bpo1.htm>. You will have three options by which to search and obtain a list of state contracts on BPOs:

1. Keyword in Commodity Description/BPO Title
2. NIGP Commodity Class/Item Code.
3. Sort Order (by BPO Number, BPO Description, or Vendor Name)



Depending upon the initial approvals, releases made against a BPO may require Civil Service approval. Releases against a BPO are not subject to further Administrative Board approval.

### ***Procurement Card Program***

State agencies have been issued MasterCard purchasing cards, which are to be used for state purchases of \$2,500 or less that are not on most state contracts. A listing of contracts that Acquisition Services has approved for payment using the procurement card can be found at [www.michigan.gov/documents/Alternative\\_Payments\\_41924\\_7.xls](http://www.michigan.gov/documents/Alternative_Payments_41924_7.xls). Items that cannot be purchased using the credit card are: health or medical services, travel-related expenses, IT related purchases, contractual services, or any other services.

The procurement card program was instituted to reduce the administrative expense associated with procuring and paying for low dollar items through the standard purchase order process. Vendors receive payment as they settle their MasterCard transactions with their bank and are relieved of the expense of invoicing the state. With this process, state cardholders utilize more vendors within their local communities.

When you receive a card, you will receive a Cardholders Manual; it is also available online at [http://www.michigan.gov/documents/manual\\_ch\\_16227\\_7.doc](http://www.michigan.gov/documents/manual_ch_16227_7.doc). This short document provides you with what you need to know about using the card and reconciling the payment process. Pay attention to it.

Remember the card cannot be used for personal use or benefit or to obtain a cash advance. You must not split charges in order to avoid exceeding the transaction limit. Use of the card has no bearing on your personal credit use or history.

The assignment of a purchasing card to your name brings certain responsibilities:

- Ensure that the purchasing card is used for all acceptable purchases of \$2,500 or less, according to the Cardholder Manual.
- Comply with the state policies and procedures contained in the Cardholder Manual, including the Department procedures contained in Attachment B of the Cardholder Manual. DMB procedures take precedence.
- Keep the purchasing card and account number secure.
- Do not allow anyone else to use the card.
- Retain all sales receipts and related documents; you will need to provide them to back up the statement charges.
- Follow department procedures for reconciliation and payment of the purchasing card bill. Be aware that some vendors may occasionally take months to submit their bills; if you need an invoice by a specific date, send a written request to the vendor.
- Report lost or stolen cards to JPMorgan Chase immediately. That number is

**1-800-270-7760.**

- Report the loss or theft to your supervisor and to Denice Ballard, Department Procurement Card Administrator, at the first opportunity during business hours.

### **Remember Purchases are State Tax Exempt**

Eight-five percent of all purchasing card transactions are done over the phone or through the mail. Purchases can also be made using secure sites on the World Wide Web.

Remember to notify your vendor that the purchase should be exempt from state sales tax. The state's tax-exempt number is A154961, and its federal identification number (also known as an EIN, or employer identification number) is 38-6000134. The tax-exempt number is the one that vendors actually need for audit purposes, but they may ask for the federal ID too. If they request a hard copy, use the page included in your Cardholder Manual.

**Regardless of the method used, do not divide purchases into separate orders to avoid the appropriate procurement process.**

### **Beginning with a Requisition**

If not using the procurement card, you create a requisition in ADPICS. Use the notepad as needed to fully detail your request. If attachments such as brochures or photographs need to be submitted with the requisition, please see Appendix B, Processing of Attachments Outside of ADPICS.

All requisitions require complete shipping and billing information. Remember to complete the “ship to” and “bill to” sections.

When creating a requisition, use of the appropriate DOC type is important since it helps identify what is being requested and where it is directed.

<i>Document Type</i>	<i>Requisition Made to</i>
SI	Michigan State Industries (MSI)
OS	Printing Services
BP	Release order against a BPO
RA	All others

Once in the system, requisitions go through the agency’s established approval path. The agency’s approval path is pre-determined. At the end of that agency path, the commodity code determines whether it goes directly to Acquisition Services or to Infrastructure Services or another agency for additional review and required approvals.

To check the approval path for a specific commodity code, access the on-line screen 5983 Commodity Code Approval Path Table.

### ***Delegated Purchase Authority***

Delegated Purchase Authority is an effort to streamline procurement of supplies, materials, equipment and services costing within the range of \$2,500 to \$25,000 and to provide better service to customers.

Purchases of commodities falling under this procedure must be requisitioned through Financial Services unless they meet one or both of the following criteria:

- The purchase is \$2,500 or less and is not on a Blanket Purchase Order. In this case, the purchasing card should be used.
- Items are on a BPO.

Acquisition Services reminds program staff that every effort must be made to secure the best value to the State. Obtaining the best price is one factor that contributes to value.

The following guidelines are provided for assistance in this process:

- Compare pricing to a previous purchase for the same commodity or service.
- It is recommended but not required that three different vendors be contacted to inquire about pricing. Be sure to provide a clear description of the commodity or service needed as pricing can change due to variables such as brand, style, and options.
- Check if government pricing is available.
- Ask about additional discounts available such as for volume.
- Pricing can be obtained from a catalogue but needs to be verified with the vendor. Check to see if the pricing listed included delivery. Request a signed and dated quote that you forward to Financial Services.
- Make sure that the price offered is firm and that the price included delivery.

Other factors to consider include

- the vendor's service record
- the vendor's location relative to the agency
- the vendor's ability to deliver
- past performance
- ability to service the product.

In the notepad of the requisition, indicate the name and phone number of the vendor contact, shipping charges, special installation requirements, and any other pertinent information. The written quote should be submitted as directed in Appendix B, Processing of Attachments Outside of ADPICS.

Once the requisition is received, the purchase is expected to take less than five days to process the order.

Receipt of goods or services should **never** precede the issuance of a purchase order.

### ***Bid Process***

Acquisition Services will manage the process for purchases in excess of \$25,000. An AS-1 form must accompany any requisition being submitted to Acquisitions Services. The most current form can be found at

[www.michigan.gov/documents/ProcurementInitiationLetterNovember\\_78035\\_7.doc](http://www.michigan.gov/documents/ProcurementInitiationLetterNovember_78035_7.doc)

The solicitation may be in the form of an Invitation to Bid (ITB) or a Request for Proposal (RFP). In the RFP, the vendor defines a solution to a defined need along with a bid. In an ITB, the vendor provides pricing for a described product and/or services.

WHEN THE VALUE IS OVER \$25,000, A BID PROCESS IS CONDUCTED.		
A CONTRACT IS AWARDED AND ISSUED AS EITHER A		
BPO	BLANKET PURCHASE ORDER	PURCHASE ORDER
	<ul style="list-style-type: none"><li>• May be 1) agency-specific, 2) state-wide, or 3) involve more than one department</li><li>• Usually a high dollar amount</li><li>• Often extends over multiple years</li><li>• Often many services or goods are available through the contract</li></ul>	<ul style="list-style-type: none"><li>• Always affects only a single department or agency which uses it exclusively</li><li>• Dollar amount varies</li><li>• Period of performance is less than one fiscal year</li><li>• Often is one project involving a single item or set of items or services</li></ul>

## Vendor Selection by Acquisition Services

The number of vendors selected to receive the bid depends on the value of the acquisition, the size of the bidder list, and frequency of the solicitation. Acquisition Services will send solicitations having larger dollar values to more vendors, because the potential for greater savings from increased competition justifies the additional costs of the wider distribution.

An agency submitting a request to Acquisition Services may suggest companies as potential suppliers. The buyer will send suggested vendors the solicitation to bid unless they are found to be ineligible to bid, and will augment that group with regular vendors from the vendor file.

In order to be eligible to do business with the State, a vendor must be registered. See Appendix C, How to Register a Vendor for instructions on how to determine if a vendor is registered and the procedures for registering a vendor.

## Bid Evaluation

Every bid includes criteria for determining the award. These may include cost, past experience, the bidder qualifications, delivery time, specifications, terms and conditions. When a solicitation requires an oral presentation, submission of test samples, or inspection of facilities or place of business, these factors are part of the bid evaluation. The total cost may include unit price, delivery, installation, maintenance and cost of operation, as defined in the solicitation.



## Contract Awards

The state reserves the right to award contracts by item, group of items, county, region, group of regions, or total bid. The state may reject all bids for a solicitation and not make an award, and may choose to cancel a solicitation or conduct a rebid.

An award may require administrative approval beyond Acquisition Services:

- The State Administrative Board approves all awards over \$25,000. After favorable action by the Board, which meets the first and third Tuesday of each month, Acquisition Services may issue a purchase order or contract to the successful bidder. Approval by the Board does not obligate Acquisition Services to issue a purchase order or contract.
- The Michigan Department of Civil Rights must affirm that the prospective vendor has not been found to discriminate in employment for all awards over a certain dollar amount. Failure to cooperate with the Department of Civil Rights or to provide information it requests in a timely fashion may disqualify a bidder.

Acquisition Services notifies successful bidders of an award in writing. However, bidders may contact Acquisition Services to request the status of a bid.

## **Rebids/Cancellations**

Acquisition Services may cancel or rebid a solicitation before the execution of a contract or issuance of a purchase order to a vendor for a number of reasons such as all bids exceeding the agency's cost estimate or none of the bids meeting the required specifications

## ***SPECIAL SITUATIONS AND CRITICAL INFORMATION***

### ***Personal Services Contracting***

Contracting for personal services is the process of contracting for the performance of a service when it is not practical or feasible to establish a classified position within Civil Service.<sup>1</sup>

The Department of Civil Service has the authority to approve a request for contracted personal services based on its established standards. Personal services cannot be paid by the purchasing card.

### ***Travel***

Travel-related arrangements and expenses are controlled through a number of published guidelines. Vehicle and Travel Services can answer or direct most of your inquiries. Financial Services annually publishes travel reimbursement guidelines. MAIN's web site contains a comprehensive section on travel and can be found at <http://mainweb.state.mi.us/travel.htm>.

### ***Commodity Codes***

Goods and services are assigned and identified by universal commodity and service codes adopted and promulgated by the National Institute of Governmental Purchasing, Inc. (NIGP) to make purchasing more efficient and cost-effective. Each requisition including those for personal services must have an NIGP code assigned to the good or service. Screen 1100 in ADPICS lists these code numbers and their descriptions.

The accuracy of the NIGP code is critical. Several methods exist to aid you in selecting the correct commodity code. See Appendix E, Locating Commodity Codes for more information. If you are unsure what category the service falls under, contact the procurement staff in Financial Services – Operations for guidance.

### ***Notepad***

A notepad feature is available for many actions in ADPICS. When creating a requisition under Delegated Authority Purchases, use the notepad to fully explain your request and

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<sup>1</sup> "What You Need to Know about Contractual Personal Services," February 1999 gives a good overview of that process and can be obtained from Organizational Services or on the web at [http://www.michigan.gov/documents/DMB\\_Contractual\\_Personal\\_Services\\_web\\_21765\\_7.pdf](http://www.michigan.gov/documents/DMB_Contractual_Personal_Services_web_21765_7.pdf).

to provide quote information or justification for specific vendor requests. The information on the requisition remains internal.

Be aware that when the notepad is used with a direct voucher, that information is printed on the warrant. Exercise caution in making any extraneous statements that should not be made public.

### ***Sole Source***

Sole source is a purchasing term that indicates that the specific item or service you want is only available from one source. It is in the best interest of the State to have projects competitively bid. If a requestor feels that an item or service is available from only one vendor, then the bidding process will prove that to be true.

The request should be sent as an electronic attachment with the requisition. An Agency sole source/best source justification must be completed. That form can be found at [www.michigan.gov/documents/Agency\\_Sole-Best\\_Source\\_78045\\_7.doc](http://www.michigan.gov/documents/Agency_Sole-Best_Source_78045_7.doc).

### ***State Administrative Board Reviews Requests over \$25,000***

The State Administrative Board reviews all requests for services and commodities when the total value exceeds \$25,000. Changes to existing BPOs or purchase orders are reviewed at any level. These reviews are submitted by Acquisition Services and do not require any action from the program. This process does not pertain to contract releases made against an existing BPO.

These approvals may delay the issuance of purchase orders and contracts by at least 60 days. Please keep this in mind and allow enough time for processing requests.

## ***WHERE GOODS AND SERVICES ARE OBTAINED***

For the most part, goods and services are purchased from companies and individuals in the private sector. However, some governmental entities may have preferred status, usually based in legislation.

### ***Michigan State Industries***

The Correctional Industries Act (Public Act 537 of 1996, as amended) provides for the employment of inmate labor in the correctional institutions of this state. The goods manufactured by inmates are sold by Michigan State Industries. Under the provisions of this act, the Executive Office and Department of Management and Budget have directed all departments to fully utilize the products manufactured by Michigan State Industries that have been approved by Purchasing as being equal to products furnished by commercial vendors, whenever feasible, and economical.<sup>2</sup>

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<sup>2</sup> For additional guidance on using MSI, reference the following:

- Office of Purchasing Letter No. 78, Michigan State Industries Products and Services, February 26, 1992 and clarification, March 23, 1992
- Office of Purchasing Letter No. 97, Deletion from Michigan State Industries Products and Services Set-Aside List, October 13, 1997

In general, when you are considering the purchase of wood furniture, think Michigan State Industries. Various manufacturing and service operations in MSI produce chairs, corrugated boxes, janitorial supplies, signs, decals, and wood furniture as well as license plates.

A catalog listing their items is available in each agency from the office director. To obtain a catalog, contact the MSI sales office at (517) 373-4277.

When ordering, use the regular requisition process; use DOC type "SI".

### ***Boise Cascade***

For office supplies, Boise Cascade was awarded the contract, and their products are made available through a Blanket Purchase Order. Their just in time system means that orders are delivered the next day.

Catalogues are sent automatically to the person designated in your office or division to order. Some items are restricted and cannot be ordered from Boise. Common restricted items include furniture, telephones, and computer products.

The purchasing card can be used for Boise orders. Options for ordering are by phone at (800) 772-6473, by fax (800) 642-6473, or on the Internet at <http://www.boiseoffice.com>. However, you must be a registered purchaser with Boise. If you have questions, please call Denise Ballard at (517) 373-7567.

### ***Printing Services***

Print and Graphics Services, Agency Services, produces a full range of printing services including printing, bindery, graphics arts, platemaking, copying, desktop publishing, and print on demand. They can also provide layout, computerized design and typesetting.

Some services require prior approval from the Director's office; such requests should be submitted to the Deputy Director for Management Services. The following items require this approval:

- Printing requiring two or more colors of ink (excluding forms, licenses and certificates required by state regulations)
- Annual reports
- Newsletters
- Printing requiring photographs
- Special folders or binders with printing or silk screening
- Pamphlets
- Brochures

- 
- Office of Purchasing Letter No. 98, Policy on Exemption from Michigan State Industries Set Aside Program for Office Furniture, October 13, 1997.



- Books
- Reports

A request for business cards accompanied by documentation of need should be approved by the agency director.

When ordering, use the regular requisition process; use DOC type OS.

## ***DELIVERING THE GOODS***

The cost associated with delivery is something easily overlooked as we simply assume goods will arrive. How will items be delivered? If shipping is necessary, are the shipping companies already on contract being used? Is installation required or desired? If so, how much will it cost? Obtain the price quote with the delivery charge included.

When you're ordering, be sure to account for freight charges. If you don't have them, you must identify the location from where the item is being shipped and the terms.

## ***WAYS TO PAY VENDORS***

### ***Procurement Card***

When the purchasing card is used, the credit card company through their payment system pays the vendor. There is an automatic payment that is made every credit card cycle. That is why it is imperative for all credit cardholders to complete their transaction detail form, have their supervisor sign, and have it turned into procurement by the specified date.

### ***Requisition/Purchase Order***

A purchase requisition is created by program staff to request a Purchase Order. Once you have received a good/service that is on a purchase order, you will either need to complete a receiver in ADPICS or you will need to approve an invoice for payment.

### ***Direct Voucher***

A direct voucher is used to pay for purchases when the agency does not have a purchase order. This occurs when the cost is under \$2,500, the vendor does not accept purchasing cards, and the commodity is not available from BPOs or Michigan State Industries.

Acquisition Services routinely publishes a list of contracts structured as Blanket Purchase Orders, which are eligible for use of a direct voucher in lieu of a standard contract release. A current listing can be found at [www.michigan.gov/documents/Alternative\\_Payments\\_41924\\_7.com](http://www.michigan.gov/documents/Alternative_Payments_41924_7.com).

### ***Direct Purchase Order***

You may hear the term “direct purchase order.” A Direct Purchase Order is created without a requisition. Only a limited number of people have security access to create a direct purchase order. A Direct Purchase Order is usually created by the procurement staff for annual orders such as copiers or UPS services for each office.

### ***WHEN YOU GET THE GOODS***

When an order arrives, it should be checked against the invoice to make sure it is correct. At that time, you need to “create a receiver.” In other words, using the Receiving module in ADPICS to acknowledge receipt of the items. You must indicate how many items were received, even if it is an incomplete order. If there are discrepancies, the vendor should be contacted at once.

This action ties into the accounts payable system and basically provides notification that the item was received and the invoice may be paid.

### ***HOW ACCOUNTS PAYABLE FITS IN***

When an item is shipped, the vendor usually mails an invoice the same day or shortly after. The disposition of the invoice depends on whether the agency or accounts payable (A/P) unit receives it, whether it was a commodity or a service, and whether certain steps have been taken as shown in Table 1 on the next page.

***Table 1 - Invoice Handling***

<b>FOR A COMMODITY</b>		
<i>Invoice Received in Mail by</i>	<i>And...</i>	<i>Then...</i>
A/P	Receiver has been done	A/P generates invoice voucher for warrant to be issued
A/P	Receiver has not been done	A/P contacts agency, files invoice and monitors for receiver to be done
Agency	Marks pertinent purchase order number and approves by signing	Forwards to A/P. A/P approves invoice in MAIN for a warrant to be issued.
<b>FOR A SERVICE</b>		
<i>Invoice Received in Mail by</i>	<i>And...</i>	<i>Then...</i>
A/P	Sends to Agency	

Agency	Service was contractual personal service	Attaches completed Contract Payment Authorization form (or equivalent) and forwards to A/P for A/P to generate an invoice voucher for a warrant to be issued
Agency	Service was not personal service	Signs off acknowledging work was done and forwards to A/P for A/P to generate an invoice voucher for a warrant to be issued

Occasions may arise when you need to determine if a warrant has been issued and cashed. Please see Appendix E, How to Tell if a Warrant Has Been Issued for instructions on using R\*STARS to make an inquiry. If you have any questions about payment to a vendor you can contact Kay Baker at (517) 373-8806.

## ***VENDOR PERFORMANCE***

As a user, you have the opportunity to rate the performance of the vendors you use. The Vendor Performance functionality in ADPICS offers you a vehicle for reporting and for inquiring about vendor performance. It gives users a vehicle for reporting and tracking negative and/or positive vendor performance. Procedure 0510.11 of the State Administrative Guide outlines the process and is found in Appendix F, Procedure 0510.11.



Occasionally, you may have a concern about vendor performance. It is your obligation to first contact and talk with that vendor to try and resolve issues. If satisfactory action does not occur, you may create a Vendor Performance report and mail the printed document (F12 key) to the vendor. Acquisition Services runs reports weekly and distributes new reports to the appropriate buyer for investigation and

resolution. See Appendix G, Vendor Performance Screens. The Vendor Performance record may also be used to compliment a vendor on good service.

Users can then inquire on vendor performance records to keep abreast of ongoing investigations as well as to find out if a specific vendor has a history of complaints or

exemplary performance. The records only exist if a user creates them. Using this function will help your colleagues make good choices and provide you with documentation should you desire not to use this vendor again.

## ***LET'S GO BACK AND TALK ABOUT ACQUISITION SERVICES ITSELF***

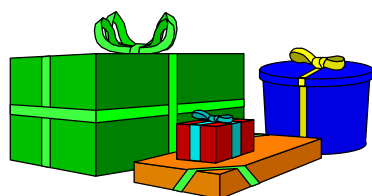
Formerly known as the Office of Purchasing, Acquisition Services in the Michigan Department of Management and Budget has the statutory responsibility to prepare specifications, establish terms and conditions, and procure goods and services required for the operation of the Executive Branch of state government. This charge is pursuant to Section 261 of the Management and Budget Act, MCL 18.1261; MSA 3.516(261). Its objective is to serve the state through the use of sound, prudent, and consistent purchasing practices.

Goods and services obtained through Acquisition Services range from advertising to water. Other areas focus on the specialized needs of telecommunications and information technology as well as large institutions like prisons. Various professional and management services are also obtained through Acquisition Services.

Not all goods and services used by the State are obtained through Acquisition Services. Table 2 shows significant procurements with who is responsible for acquiring them.

Table 2 - Procurement Not Done by Acquisition Services<sup>3</sup>

Procurement	Responsible Entity
Building construction, remodeling, additions and leasing	Office of Facilities, Department of Management and Budget
Highway construction and repair	Department of Transportation



## ***GIFTS***

The State of Michigan has a rigid code of ethics for its employees. To avoid any perception of impropriety, state employees are not allowed to accept gifts of any kind from

<sup>3</sup> The procedures followed by these entities may differ from those outlined in this document.

vendors, consultants, or the public. This prohibition applies to you as well as Acquisition Services staff. Gifts include such items as meals, gift certificates, and event tickets.

A vendor who sends gifts or provides any benefit that conflict with the ethics code may be barred from consideration for award of a contract or purchase order.

## ***EMPLOYEES DOING BUSINESS WITH THE STATE***

Occasionally, employees wonder whether they are allowed to do business with the State outside of their primary employment relationship.

If a State employee wants to sell commodities to a State agency, the advice from Acquisition Services is to refer to the State Ethics Act (Act 196 of 1973, as amended by Act 53 of 1984) and check with your human resources office. Be aware of the conflict of interest statement that requires disclosure of various business interests and relationships. At the very least, any contract with an employee should be awarded through a competitive bidding process.

And Civil Service Rule 2-15.1 addresses supplemental employment outside the classified service. This supplemental employment includes all forms of self-employment. The rule states:

- (a) The supplemental outside employment must in no way conflict with the employee's hours of state employment or in quantity or interest conflict in any way with satisfactory and impartial performance of state duties.
- (b) The employee must secure the written approval of the appointing authority before engaging in any supplemental outside employment.
- (c) The employee must keep the appointing authority informed of contemplated changes in supplemental outside employment.

Keep in mind that even the appearance of questionable or unethical practices is detrimental to both employees and the department.

## ***APPENDIX***

- A. Helpful ADPICS Screens in MAIN**
- B. Processing of Attachments Outside of ADPICS**
- C. How to Register a Vendor**
- D. Locating Commodity Codes**
- E. How to Tell if a Warrant Has Been Issued**
- F. Procedure 0510.11**
- G. Vendor Performance Inquiry Screen**

## ***APPENDIX A: Helpful ADPICS Screens in MAIN***

Blanket Purchase Order Header	2342
Blanket Purchase Order commodity screen	2350
Commodity by Vendor	5410
Document Authorization Tracking – Active (a document is still in the approval path)	9220
Document Authorization Tracking – Archive (a document is not in the approval path as it has either been completed or rejected)	9230
Purchase Order Header Screen	2340
Purchase Orders by Department (must alter to and from dates)	2455
Purchase Orders by Vendor (must alter to and from dates)	2440
Receipts by Purchase Order	3200
Releases against a BPO (must alter to and from dates)	2510
Requisitions by Department (must alter to and from dates)	2410
Requisition Detail Inquiry (shows purchase order number created from a requisition)	2430
Requisition Header	2100
Return Notification Mailbox	9212
Vendor Table Maintenance (notepad provides information on expired mail codes)	5200
Vouchers by Purchase Orders	1490

## ***APPENDIX B: Processing of Attachments Outside of ADPICS***

**Word Processing Documents:** Attachments to requisitions are often developed in separate word processing documents if several pages of text are needed. Separate word processing attachments must be sent to Financial Services - Operations to be matched with information entered in ADPICS.

The following practices will guide the processing of requisition attachments.

- **Where possible, agencies should avoid the use of separate word processing attachments if information can be easily entered on-line in ADPICS.**
- **When separate word processing attachments are needed, agencies should:**
  - Attach a note to the requisition entered in ADPICS using system note pad features. The note should list separate word processing documents that have been developed by the agency and will be sent to Financial Services – Operations.
  - Agencies must send the word processing file to Financial Services - Operations. Email can be used. Please save the file using a file name that is the same as the last 8 characters of the requisition number. For example, R7001234 would be the word processing file associated with requisition 071R7001234. You do not have to send a hard copy of the file.
  - These files will be transmitted to Acquisition Services upon approval of the requisition by Financial Services.
- Financial Services will not process a requisition until all attachments are received.

### **Brochures and Quotes**

Brochures or a written specification or quote from a vendor not in word processing files can be transmitted by attaching them to a screen print of the requisition header and sending by ID mail to Financial Services – Operations, Procurement Section.



### ***APPENDIX C: How to Register a Vendor***

To determine if a vendor is registered in MAIN, enter the vendor's tax identification number on screen **5220**. Remember to put a "2" in front of a company identification number and a "3" in front of an employee social security number.

If you do not have the federal tax identification number, you can look up the vendor by name using the ADPICS screen **1200** - Vendor Name Inquiry (F10 on screen **5001** - Vendor Maintenance/Inquiry Menu). The vendor name that is in the vendor file will be the name provided by the vendor on their W-9 form.

Please note that existing mail codes will be changed only to correct data entry errors or to update the phone number, fax number, contact person, or mail type flags. All other types of changes will require a new mail code, with the exception of the 000 mail code (the mailing address for 1099 reporting). The 000 mail code is never changed. Also, individual names should not be used on the attention lines. We suggest that position titles be used instead.

If a vendor is not on the vendor file, the vendor must be registered via submission of a properly completed W-9 and Vendor Registration [Form DMB-20-OFM (10/94)]. The vendor should contact DMB-OFM Vendor File Section at (517) 373-4111 or they can register on-line at [www.cpexpress.state.mi.us](http://www.cpexpress.state.mi.us).

## ***APPENDIX D: Locating Commodity Codes***

Use the ADPICS 1100 Commodity Table Inquiry screen and type a commodity name on the first line to search for a commodity number by name. Be sure to clear to the end of the line using the END or PAUSE keys to ensure the program doesn't read other letters from a previous search. Pressing the F8, or NEXT, key scrolls through the Commodity Table.

If you have the first three digits of the code, you can go to Screen 5100 and enter those three digits. From that screen, press F8 to see all the five digit codes beginning with those three digits.

Use the ADPICS 5400 Cross-Reference Menu screen to view commodities as they apply to vendors (generally Selection 1 – Commodity by Vendor). Link to Screen 5410 and enter the vendor's federal ID number along with their mail code. The screen will show commodity codes for which the vendor is registered. You may have to enter more than one mail code to get this information.

## ***APPENDIX E: How to Tell if a Warrant Has Been Issued***

Log into R\*STARS in MAIN and follow this procedure:

1. Link to the 86 screen (Document Transaction Inquiry screen).
2. Enter the Document Agency number. (Use 071 for DMB.)

TAB twice and enter the 8-digit document number. (example: W9000000);

Press the ENTER key and the warrant number (Pay #) will display below the document number, if the document is less than 30-60 days old.

If the message "NO RECORD FOUND" is displayed in the lower left corner of the window, change the Rec Type from A (active) to I (inactive) then press the ENTER key to display the warrant number.

3. Link to the 47A screen (Warrant Status Maintenance screen).

TAB once and enter the warrant number, then press the ENTER key. If found, the warrant information and status will display. Warrant status codes are as follows:

I – Issued and Outstanding	C – Cancelled
P – Paid/Cashed	D – Cancel Pending
U – Undeliverable	R – Reissued
S – Stop Payment	

4. If the system displays a warrant other than the one you entered, then the warrant has a status of either P, C, or R. Link to the 47d screen (Payment Status Maintenance History screen) to view the status, date issued, and date cashed, cancelled, or reissued.

If you need assistance or have any other questions regarding warrants, please contact Kay Baker at (517) 373-8806.

## ***APPENDIX F: Procedure 0510.11***

Issued March 21, 1997

SUBJECT: Vendor Performance

APPLICATION: Executive Branch Departments and Sub-Units.

PURPOSE: To prescribe the method for registering formal complaints or compliments relative to vendor performance (positive or negative) which is subject to specifications and terms and conditions of a purchase order or blanket purchase order. This procedure replaces the previous "Complaint to Vendor" procedure and use of Form DMB-297.

CONTACT AGENCY: Department of Management and Budget (DMB) - Office of Purchasing (OOP).

TELEPHONE: 517/373-0330

FAX: 517/335-0046

OTHER INFORMATION: All contracts for commodities and services made through the OOP are subject to the continuing supervision of the OOP. The contract administrator or agency personnel should use the formal vendor performance process through ADPICS when problems with vendors cannot be resolved. This process is important in establishing a record of vendor performance. Contract cancellation is very difficult without supporting documentation of less than adequate vendor performance. These complaints of vendor performance may serve as the documentation necessary for a contract to be canceled.

To give the vendor adequate notice and an opportunity to improve performance or refute the complaint, notification to the vendor must be issued close to the incident which gives rise to the complaint.

The Vendor Performance notification document is created in ADPICS by utilizing the F12-Print function key from screen 5260, Vendor Performance. This should be printed and mailed to the vendor as formal notice. OOP will make a determination of validity, enter a disposition on MAIN and notify originating agency.

APPLICABLE ADPICS Screen 5260, Vendor Performance.  
SCREENS: ADPICS Screen 5270, Vendor Performance Disposition.

PROCEDURES:

## Agency Personnel:

When problems are experienced with vendor performance, the contract administrator or department procurement staff should make sure that the requested performance actually is required in the contract or purchase order and then make initial contact by phone to issue an oral complaint in an effort to resolve the issues. In making the telephone contact, the following should be addressed:

Inform the vendor of the specific areas of deficient performance.

Indicate the measures which are necessary to conform to the contractual requirements.

Inform the vendor of the date by which the vendor should either comply, indicate the reasons for failure to comply with the requested remedial measures. Allow reasonable time appropriate to the circumstances.

Document the oral complaint by recording the name of the person contacted, the proposed solution and the date of the contact.

- If a complaint remains unresolved after the deadline stated in the initial oral complaint to the vendor, or if the seriousness of the situation requires the intervention of Acquisition Services, initiates a *Vendor Performance Record* (defined below).

### · VENDOR PERFORMANCE RECORD

Completes ADPICS screen 5260 *Vendor Performance*. This may be of a positive or negative nature. In the case of a problem, include information regarding the initial contact. Prints and mails a copy of the Vendor Performance notification document to the vendor (F12 - Print function key from screen 5260, Vendor Performance).

- To give the vendor adequate notice, and an opportunity to improve performance or refute the complaint, the notification must be issued close to the incident which gives rise to the complaint.

*\*Department procurement staff and contract administrators do not have the authority to alter, modify or waive any contractual terms, conditions or prices, cancel contracts or purchase orders, punish a vendor by preventing a vendor from doing business with the State, or impose any other sanctions.*

## **OOP PDIM Division Staff:**

- Runs an MIDB report weekly to determine new Vendor Performance records created on ADPICS screen 5260.

Reviews all new records and forwards a copy of the record to the appropriate OOP division/buyer.

## **OOP Division Director/Buyer:**

- Reviews the record (Vendor Performance Record, ADPICS screen 5260).

If it is a positive record and there is no evidence to the contrary, utilizes ADPICS screen 5270 *Vendor Performance Disposition* to enter a disposition code, adds any additional information and posts the disposition record.

If it is a negative record, contacts the vendor and/or agency and investigates the complaint. Determines the validity of claim and resolution of issue. Enters a disposition code, adds any additional information and posts ADPICS screen 5270 *Vendor Performance Disposition*. **DO NOT POST THE VENDOR PERFORMANCE DISPOSITION RECORD UNTIL THE ISSUE IS RESOLVED.** Notifies the contract administrator or agency staff of the disposition, expected compliance **activities** and dates and/or initiates any resulting remedial actions (i.e. modification or cancellation of purchase order, cancellation of contract [BPO], debarring a vendor, etc.).

*\* Statutory authority for vendor participation in State purchases, or to suspend, debar or impose sanctions against businesses rests solely with the OOP.*

\* \* \*

Procedure Update: 3-21-97

Procedure 0510.11

## ***APPENDIX G: Vendor Performance Screens***

### **TO ENTER A RECORD ON VENDOR PERFORMANCE:**

Go into ADPICS screen 5260.

Complete the required information. The user should mail the vendor a copy. OOP audits these records and then they go in and post the performance record

### **TO CHECK VENDOR PERFORMANCE RECORD:**

Go into ADPICS screen 5280.

Enter the vendor's federal identification number and mail code. If there have been any issues recorded, they are listed separately under PERFORMANCE DESCRIPTION as shown in the sample screen below.

PCHL5280 V4.1                      ADVANCED PURCHASING/INVENTORY                      07/14/1999  
LINK TO:                                  VENDOR PERFORMANCE INQUIRY

VENDOR ID : xxxxxxxxxx XXX              STATE OF MICHIGAN

PERF ID	PERF CODE	PERFORMANCE DESCRIPTION	DISP CODE	STATUS
123Y8000003	SCV	SHIPMENT NOT COMPLETE	CS	POST
321Y8000027	XSP	FAILURE TO REPLACE ITEMS	CS	POST

Select the desired one, and the VENDOR PERFORMANCE screen will appear. The details of the complaint or compliment are found here.